Specialty Chain Census | Consumer Electronics

Lafayette Reorganizing on 8-Unit Core

SYOSSET, N.Y.—Lafayette, the specialty electronics chain now in Chapter XI after a three-year struggle to return to profitable operations, was liquidating 60 more store units at presstime. This comes on the heels of the liquidation of 30-odd stores in Atlanta, St. Louis, Chicago and other markets.

The former giant is reorganizing around a core of eight stores, all in the New York City area, and a new merchandising concept.

Last year, with 126 units, it was the No. 2 consumer electronics chain, just behind the now billion-dollar Radio Shack, a division of Tandy Corp.

Under its Chapter XI reorganization, Lafayette projects first-year sales of $11.5 million.

In addition to closing stores, laying off 439 of 489 employees at corporate headquarters here and discontinuing the Lafayette catalog, the chain is:

- Revamping the mix to include 85% brand name merchandise;
- Continuing to maintain 50% of its overall sku's in audio, and adding home entertainment and small business computers.

"We have a concept of merchandising that I think is unique," said Alan Selby, vice president of merchandising, but would not elaborate. Part of the concept includes expansion to two new product areas: a small, hobby-type computer that retails under $600 and a more sophisticated computer, retailing between $3,000 and $6,000, for small businessmen.

Selby said the computer business would probably represent about 5% of the firm's volume in the first year.

By maintaining 50-50 sku's in audio and computer equipment, Selby said Lafayette seeks a business-like image that will still appeal to audio customers.

Although Selby believes the average customer will probably change, he said that because of the mix, customers who have supported the stores in the last 60 years will be as important as ever.

"The new customer will be represented by the small computer, where the average ticket will be higher than the average ticket in audio," he said.

Radio Shack Still Runaway Leader While Lafayette Is Down, Not Out

Chains	No. of Units May '79	No. of Units May '80	No. of Units Dec. '80	Sales in Millions Last fiscal year	Sales in Millions Current fiscal year
Radio Shack	5,890(A)	6,045(B)	6,245	$1,200*	$1,392
Team	113	115	125	53	55
CMC	55	58	62	50	N/A
Kelley & Cohen	43	43	45	61.6*	N/A
Sam Goody	28	29	32	67*	N/A
Newmark & Lewis	17	17	N/A	30*	N/A
Atlantis Sound	17	11	N/A	N/A	N/A
Pacific Stereo	93	99	110	N/A	N/A
Lafayette	116	8**	8**	N/A**	11.5**
Tokyo Shapiro	8	9	12	8.4	10

(A) includes 3,630 company-owned, 120 franchised and 2,140 dealer units.
(B) includes 3,821 company-owned, 107 franchised and 2,117 dealer units.
*** Lafayette filed Chapter XI and reorganized around a total of eight units.*
** DSN estimates*
N/A—not available

Radio Shack remains the No. 1 consumer electronics specialty chain in both volume and units. Lafayette drops down but not out under Chapter XI, with Team Electronics ranking second in units. (DSN research)

Kelley & Cohen: Computers in 1-2 Yrs.

PITTSBURGH—Computer products have caught the fancy of consumers and retailers alike.

Still, at Kelley & Cohen, company president Edward Seymour said the chain now handles "everything but."

So far.

"More than likely, we'll be into computers in a year or two," he said. But, he added, "Right now, computers are not for everyone because of the programming requirements."

However, as programs become available—from sources like GTE, for example—people will be able to plug their tax-return problems into home computers instead of programming the material themselves. Seymour believes computers will then have greater potential for mass merchandising.

In addition, the availability of programs could reduce the need for trained sales personnel, presently a disadvantage for self-service stores like discounters.

Already three of Kelley & Cohen's 43 stores are geared for

(Continued on page 11)

Radio Shack

(Continued from page 7)

The company, which now has 6,045 units, plans to open 200 new stores in 1980.

Among them will be more computer centers. The chain opened four more than the 50 originally planned for the store's top 50 metropolitan markets in 1979.

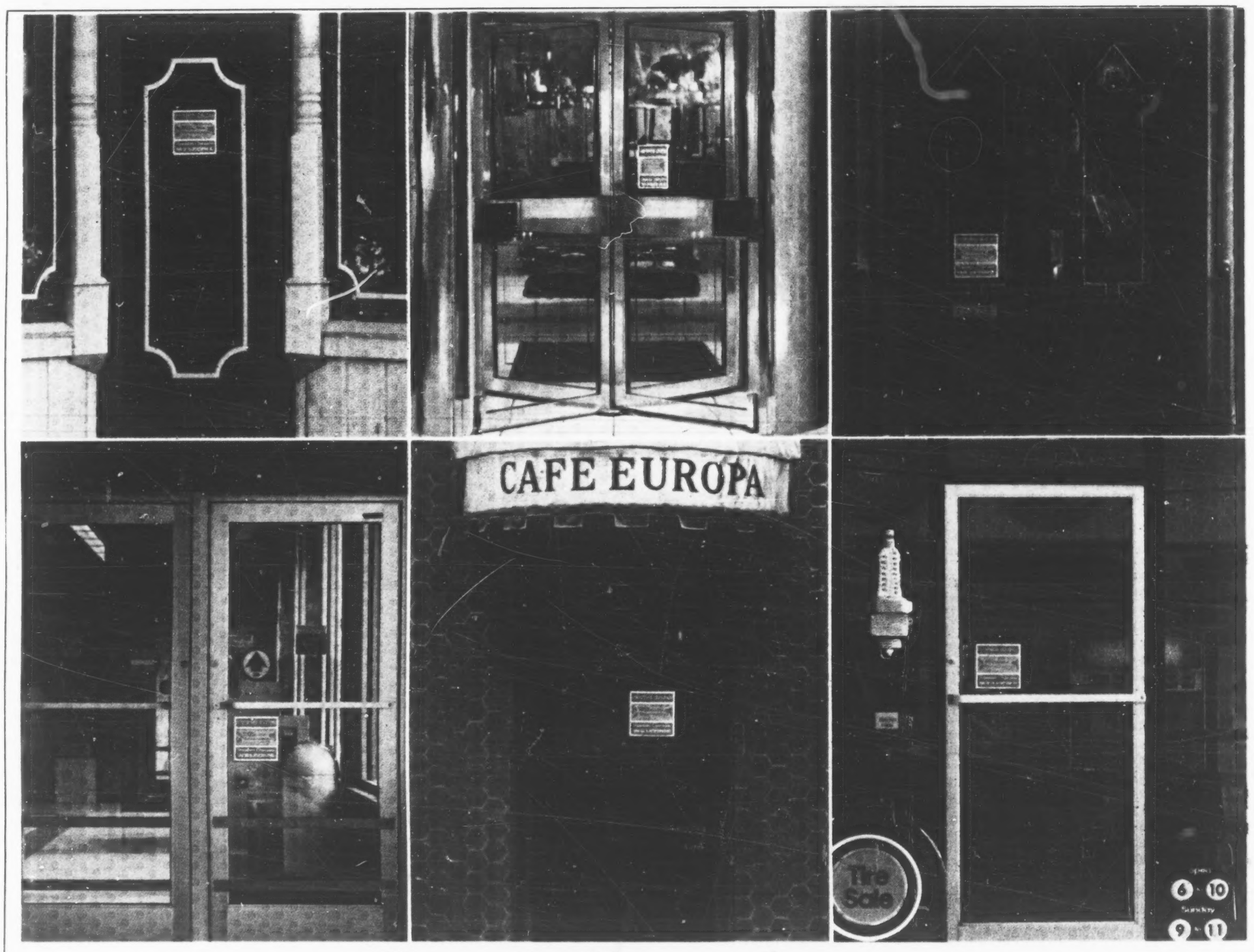
To reach smaller markets Radio Shack will add mini-computer centers in the leading stores in each of its 150 secondary districts. Already, 107 such in-store operations have opened.

Four or five clerks must be on hand in each center to answer questions and teach customers about the systems. Kornfeld said such service is not required for stores not carrying business computers.

The TRS-80, which outmoded last year's $10,000 Tandy-10 business unit, is an example of the "serious" equipment Kornfeld describes as the stock in trade of specialty stores. Retails are $499-$4,500 for Model 1, and $4,500-$9,000 for Model 2.

Companion sales of software and peripheral accessories for the systems, however, are down somewhat from last year while Radio Shack flushes out the line to make room for upcoming models which, in turn, could outmode the TRS-80.

"We are going to have very significant new hardware product announcements between June and September 1980," Kornfeld said.



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Specialty Chain Census | Sporting Goods

Herman's Leads Chains in Volume; Oshman's Is Tops in Store Count

Chain	No. of Units May 1979	No. of Units May 1980	No. of Units Dec. 1980	Sales in Millions last fiscal year
Herman's	69	88	94	$195.0
Oshman's	87	91	98-99	135.0
Zale	32	37	38	N/A
Big 5	52	N/A	N/A	N/A
Sunset Sports	26	29	33	49.0*
Morsan	8	8	9	20.0
Dave Cook	12	13	13	N/A
Gart Brothers	11	10	12-13	19.2*
Michigan	13	10	12	18.0*
Brendamour's	10	11	12	7.2*
Casey's	6	6	7-8	6.9*
Colman	4	4	4	N/A
Hollywood Sports Plaza	4	4	5	3.1*

N/A—not available **DSN estimate*

Herman's and Oshman's remain the top sporting goods specialty retailers in the country. Though Herman's remains tops in volume, its rapid expansion will slow this year and Oshman's remains the largest chain in the country by number of units. (DSN research)

Herman's Slows Growth

(Continued from page 7)

skates.

Merchandising strategy at the chain has taken a decided turn toward athletic sportswear, in an attempt to increase profitability per sales dollar.

Herman's has the space to devote to soft goods, with stores commonly 12,000 sq. ft. to 20,000 sq. ft., unlike many smaller specialists. (Approximately half the chain's stores are freestanding and half are in malls.)

The soft goods push is targeted more specifically to women, in an attempt to draw female traffic into the stores. To help in the soft goods presentation, the chain has been hiring managers with expertise in the area as well as purchasing soft goods that coordinate more closely with the hard goods stock.

Future merchandising plans call for trade-up equipment (cashing in on higher price points) to follow the trend. Only time will tell whether Herman's is able to continue its historical growth rates.

(For the last five years, Herman's sales volume has averaged a growth rate of 16.2%, while the growth rate in store units has averaged 13.5%.)

Oshman's Revives AF, Picks Dallas For Second Unit

HOUSTON—In a year of healthy sales increases and modest expansion in store numbers, Oshman's caught the eye of sporting goods shoppers by bringing back the Abercrombie & Fitch name.

Oshman's opened a 16,000-sq.-ft. Abercrombie & Fitch unit in Beverly Hills, Calif., last year, and plans to open a 26,000-sq.-ft. store in Dallas.

"We do have expansion in mind," Oshman's president Marvin Aronowitz told DSN, "but the Abercrombie & Fitch stores are not stamped out by cookie cutters. Obviously, we will not expand them at the same rate as the Oshman's stores."

Despite the high-ticket glitter at Abercrombie & Fitch, the company's volume still comes primarily from its typical 11,000-sq.-ft. Oshman's stores.

With four more units than last year, Oshman's 91 stores have kept it the largest sporting goods chain in the country by store number, despite a 19-store building spree by Herman's last year.

Aronowitz said the new stores this year will be in new and existing markets. Texas and California are likely sites for the bulk of new stores, while Florida is also in Oshman's expansion plans.

The chain, which had been in the northern Florida market before, opened in Miami at the end of March. Aronowitz said: "We are looking at Fort Lauderdale, although nothing has been signed yet there."

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Specialty Chain Census

Automotive

Sales Rise 17% to $182 Million

Remodeling Helps Doll Up Pep Boys' Biz

PHILADELPHIA—Pep Boys, the second-ranked specialty automotive chain, closed fiscal 1979 (ended Jan. 31, 1980) with $181.9 million in sales, a 17% increase over the previous year's volume.

According to a chain spokesman, management credits remodeling and remerchandising efforts with much of the boost in sales. Last year, he noted, the chain remodeled, and in some cases enlarged, 20 outlets—most of which were located in the older East Coast markets where the chain got its start 55 years ago.

In addition, the chain has been expanding its parts mix and improving the self-service features of its sales floor accessories department.

"We've expanded our sales floor space wherever we could," a spokesman said, "to support our move to add new lines, particularly in hard parts." The new lines, he said, were not first-time entries, but rather were trade-up lines in existing categories. A midprice carburetor, he reported, was one example of a product recently added to the parts department.

The chain currently carries more than 9,000 sku's of auto parts, he noted, adding: "The auto aftermarket is our business."

The chain will also continue to upgrade stores, particularly on the East Coast, where store sizes vary from 5,000 to 20,000 sq. ft., to try to achieve some uniformity, he said.

Auto Chain Execs Are Conservative In Projecting Sales For Fiscal '80

	No. of Units			Sales (Millions)	
	May '79	May '80	Dec. '80	fiscal 1979	fiscal 1980
Western	3,927	3,450	3,400	$698.1	N/A
Pep	101	101	103	181.9	N/A
Grand	65	69	79	92.7	$100.0
Empire-Crown	50	52	53	25.3	N/A
Guarantee	33	41	43	20.0	24.0
Whitlock	47	56	58	30.0	N/A
Fleenors	52	46	46	16.5	N/A
Schucks	44	46	N/A	N/A	N/A
Hi-Gear	39	42	43	12.9	N/A
Aid	70	73	76	12.9	14.0
Rose	23	25	N/A	6.9	7.6
Save	16	16	18	5.6	6.3
Giant	4	4	4	1.5	1.8

**DSN estimate* *N/A-not available*

On the whole, auto chain execs are making conservative projections for sales in 1980 as the economy continues to turn down. At least one chain, top-ranked Western Auto, had a year of desultory sales (and nearly 500 store closings), ringing up $698 million. Second-ranked Pep Boys, however, the Philadelphia-based chain, saw sales grow by 17% last year. (DSN research)

Cost of Money Makes Empire-Crown 'Very Cautious' on Building Inventories

EDEN PRAIRIE, Minn.—Empire-Crown, discount store lessee and specialty outlet chain, has been growing steadily in the five years since its takeover of Crown Auto in 1975, and last year was no exception.

Sales for the then 50-unit chain topped $25 million in fiscal 1979, ended Dec. 31, up from $23 million the year before. The chain currently operates 52 stores and 14 leased departments in Wisconsin and Minnesota.

"We're saying we're recession proof," said Richard Roderick, vice president of finance, "but with the cost of money so high we're really going to be very cautious—particularly about building inventory." Roderick did say, however, that the chain may expand its hard parts mix slightly.

The current prototype for its stores is 7,000 sq. ft. of which 3,000 sq. ft. is sales space. The rest of the space is given over to service bays.

Nationally branded products tend to be the rule in both the company's leased departments and freestanding specialty outlets. The closest equivalent to private label products is the company's inventory of tires and batteries.

Empire-Crown is one specialty chain that could not survive on DIY business alone, however. According to a company spokesman, nearly half of the company's sales come from leased departments where the bulk of sales are derived from installation and service fees.

The company operates nine leased departments in Zayre stores, three in Prange-Way, and two in Holiday Village.

Kelley & Cohen

(Continued from page 9)

future computer sales.

At 8,500 sq. ft. those three new "superstores" are almost double the size of the old prototype to allow for the expansion Seymour projects.

Kelley & Cohen, whose mix includes electronic toys, widescreen TVs and videocassette recorders, will eventually add personalized home computers and small business units.

With low margins on computer stock, step-by-step development makes sense for some chains. Margins on audio equipment, for instance, are triple those of computer lines, a prime consideration for recession-leery retailers.

At the same time, Jim Sachs, vp marketing, said consumer demand for computers justifies the industry's expansion.

May Openings Set For 2 Fla. Masters

SARASOTA, Fla.—Masters Merchandise Mart is set to open two Florida showrooms in May, a 22,000-sq.-ft. unit in the Cortez Plaza in Bradenton, and a 15,000-sq.-ft. store in Spring Hill.

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Specialty Chain Census | Sporting Goods | Toys

New Owner Ups Sunset's Expansion Plan

SALT LAKE CITY—The acquisition of Sunset Sports last year by Memphis-based food wholesaler Malone & Hyde may be symbolic of the growing interest in specialty retailing.

Sunset Sports was the largest privately owned sporting goods chain operating last year, and its new owners have stepped up expansion plans. Although the 29-unit chain had been maintaining a two-store-per-year growth rate, it added three stores last year and plans to add four this year.

Jack Spitzer, general manager of the chain before the Malone & Hyde purchase, was named president after the acquisition.

Sunset entered new markets with each of its additional stores last year, in Moscow and Lewiston, Idaho, as well as Pullman, Wash.

Sunset will enter the new markets of Spokane and Kennewick, Wash.

The sporting goods specialist will also increase its holdings in two of its present markets with a 14,000-sq.-ft. store to be built in Salt Lake City and a 12,000-sq.-ft. unit slated for Phoenix.

"We don't have a standard prototype that we build on," said Spitzer, "because we tailor each store to the market. In the larger stores, we go into slightly more breadth in the lines."

Sunset's stores, which are built as freestanding units and not as mall stores, are 12,000-24,000 sq. ft.

Hear Flat Sales Slow Zale Growth

DALLAS—Zale Corporation's sporting goods division, reportedly experiencing disappointing sales, has slowed growth plans for 1980.

After opening five new units in its last fiscal year, Zale plans only one additional sporting goods store this year, according to a company spokesman.

The five additions, all in existing markets for Zale, were in Phoenix, New Orleans, Dallas, San Antonio and Austin, Tex. They brought Zale's total to 37 sporting goods stores.

However, reports last year by analysts at securities firm Merrill Lynch cited continuing poor performance in the sporting goods division at Zale, with sales flat compared to year-before figures, and even a 4% decline in store-for-store sales at midyear although this reportedly improved later in the year.

Play World Studies Rebuilding Under Singer; Three Units Shut

FARMINGDALE, N.Y.—It has been a year of changes at Play World, including the closing of three stores and the installation of a new president, and the toy specialist is looking to rebuild.

The Long Island chain is down to a dozen units from 15 last year, but is currently choosing sites for one or possibly two more units, according to a spokesman at the company.

(Play World's Elmont store was destroyed by fire, while the Smithtown and Massapequa stores were shuttered.)

Play World's parent company Greenman Brothers announced midway through last year that it was beginning "an aggressive rebuilding program," and it imported Carey Singer as the chain's new president.

After hiring Singer, the parent company said it would make a greater investment in inventory for its Play World stores. Another move begun in merchandising at the chain was to phase out housewares from the merchandise mix. Housewares had been included in the stores' stock because it appealed to the primarily female customer and because it was seen as a possible way to attract traffic in the off season for toys.

"We found that phasing out the housewares and installing more toy product has helped our return," Singer told DSN. "We lost a little counterseasonal business, but we more than made it up on our return by going with the toys."

Play World, which also operates leased toy departments in six Modell's stores, has phased housewares out of all locations but two.

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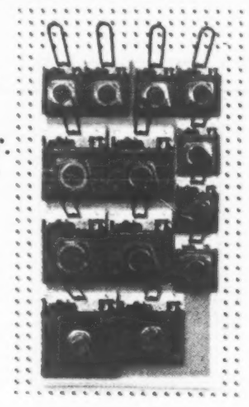

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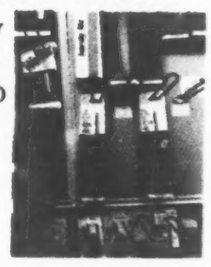

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Circus World, Tops in Units, Unwraps 23

TAYLOR, Mich.—Circus World's ambitious expansion program has led to an increase of 23 units since last year, making it the largest toy specialty retailer by store number.

The 111-unit chain, which will reach 120 stores by December, according to a company spokesman, is still smaller than Toys 'R' Us and Child World in selling space, however.

Stores are all in mall locations and the prototype size is 3,500 sq. ft. New markets broken into last year include Waco, Lufkin and Midland, Tex.; Port Richey and St. Augustine, Fla.

Future expansion includes Midwest locations in existing markets, but concentration will primarily be in the Sunbelt.

Lionel Leisure

(Continued from page 8)

33,000-35,000 sq. ft., which is in line with Lionel Leisure's typical 30,000-sq.-ft. size.

Lionel Leisure also operates in Pennsylvania, Florida, New Jersey, Maryland, Ohio, Georgia, New York and North Carolina. The company plans to add 10 more new stores during the remainder of 1980, bringing its total to 75 units from the current 65. Management at Lionel Leisure would not disclose the sites of future construction.

Holdings in the Philadelphia area have been bolstered since last year, both by acquisition and construction. The most notable jump in store numbers was the acquisition last year of Philadelphia-based Playtown.

Lionel Leisure had been growing by eight stores a year, on average. A company spokesman said the firm has embarked upon an expansion program in its toy stores. (The company's other divisions manufacture electronic components and industrial equipment.) The jump to the Southwest from its Eastern Seaboard stronghold may signal an impending push by the special retailer in the Sunbelt.

Specialty Chain Census | Automotive

The Economy May Stall Grand Auto's 10-Opening Plan

OAKLAND, Calif.—"We feel we're recession proof, but we're also feeling more conservative than ever with the economy the way it is," said a company official at Grand Auto, based here.

That conservatism may erase the company's expansion plans which right now call for the opening of 10 new stores this year. Most will be in the north Bay Area, according to the company official. Last year the chain was on time with its expansion plans and made its debut in the Fresno/Visalia market with four stores.

On the merchandising side, the chain plans to concentrate on the rebuilt engine program it initiated last year. "We began to install our own rebuilt engines in our shops last year," he said, "and we plan to continue doing that." He added: "Service is steadily becoming a larger part of our business."

The chain also plans to build up its hard parts inventory to gain more depth. In other departments, however, "we plan to concentrate on the faster-selling, good-turning items.

"The trend seems to be that people are holding onto their cars longer, and now the economy is forcing them to do repairs themselves. We're expanding our inventory so that they will learn that we have everything they need," he said.

Grand Auto, third in sales among specialty auto chains, plans to concentrate on its rebuilt engine program as service activities become a larger part of its business. (DSN photo)

Grand Auto's Per-Share Net Up 23%

OAKLAND, Calif.—Grand Auto registered an 11.2% increase in sales in fiscal 1979, hitting $92,745,774.

Earnings per share rose to $2.10, up 22.7%.

Sales for the fourth quarter, which ended Jan. 7, totaled $23,373,097, up 7.9%.

Irving Krantzman, chairman of the board and president, attributed the sales performance to chain efforts, implemented over the past two years, to promote higher-markup automotive parts and accessories, and to reduce the rate of inventory shrinkage and promotional markdowns.

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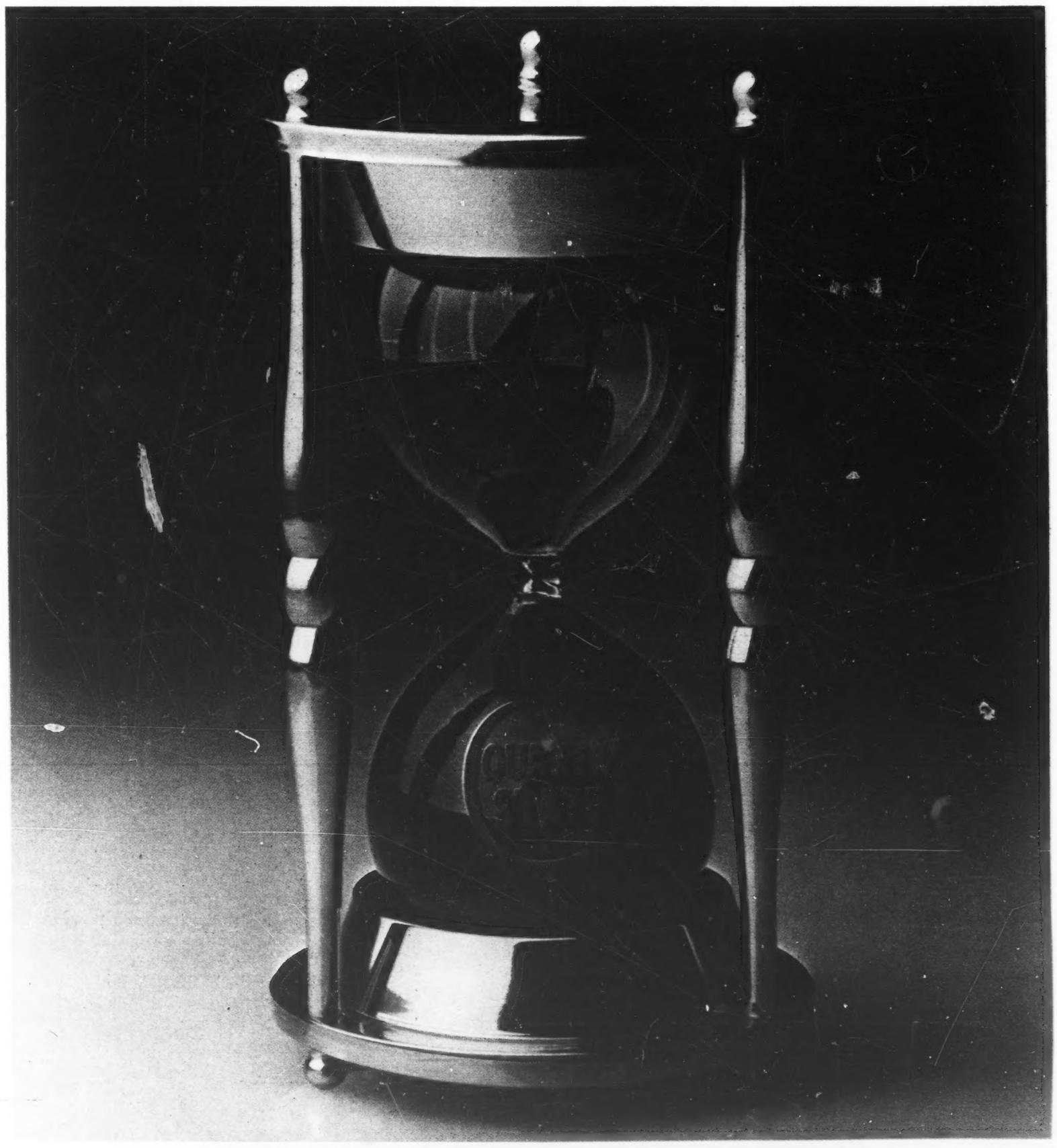

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Specialty Chain Census | Health & Beauty Aids

Revco to Top $1 Billion Mark

(Continued from page 7)

This effort includes strengthening its Southwest market thrust that covers Arizona, New Mexico and Arkansas. Arkansas was entered for the first time last year with four stores.

Support for the Sunbelt expansion last year saw Revco open a 268,000-sq.-ft. distribution center in Aiken, S.C., as its seventh warehouse. The new facility is designed to service about 300 stores.

Revco this year is expanding its warehouses in Phoenix, Ariz., and Somerset, Pa. Its Henderson, N.C., facility will be enlarged shortly thereafter.

The company's expansion program includes upping the size of its stores. Units now average 8,450 sq. ft. This has enabled Revco to boost its mix to more than 8,000 sku's, including more than 380 private-label products.

Revco's position as the leading drug discounter reflects its merchandising posture of discounting every item in its stores, including such non-health and beauty aids as paperbacks, office and school supplies and greeting cards.

But "H&BA is what we claim to be experts in," an executive asserted, and Revco goes after this business with sharp discounts and by adjusting its mix to focus on growth categories. "Nail care is an expansion category," he noted.

Pharmacy is the key department in Revco stores and prescriptions account for about 27% of total drug store sales.

8 Drug Discounters Add 267 Stores In Census Year; 94 More Are on Tap

Chain	No. of Units May '79	No. of Units May '80	No. of Units Dec. '80	Volume in Millions Last completed fiscal year
Revco	1,112	1,223	1,243	$928
Thrifty	516	518	N/A	858
Rite Aid	732	820	852	811
Longs	110	122	137	773
SupeRx	484	483	N/A	567
Drug Fair	160	175	183	266
Dart	75	74	81	231
Fay's	61	100	112	194

N/A—not available

Eight big drug discounters added 267 units since last May and have another 94 planned by year's end. Store count and volume leader Revco should continue to set the pace. (DSN research)

Booming Rite Aid Hypos Pharmacies

SHIREMANSTOWN, Pa.—Rite Aid continues to be one of the fastest-growing specialty drug discounters and plans to open 50 stores through the end of the year to hit the 870-unit mark.

The company opened 46 stores during the first five months of the year after ending 1979 with 774 units.

All new stores will include pharmacies as part of Rite Aid's program of positioning itself as full-service drug stores, rather than just a discount health and beauty aids chain. Pharmacies were also added to older units that didn't have this facility and only 68 stores are expected to lack Rx counters because of low volume or small size.

The chain is going with 6,700 sq. ft. of space as its prototype and expects to remodel about 80 units this year, with a number being enlarged to this size.

The chain's expansion should enable it to hit a projected $950 million in sales in the new fiscal year, up 17.1% from $811 million during the fiscal year ended March 1.

The volume in the completed fiscal year was a 26.7% increase from the $640 million in the previous fiscal year and the percentage gain was slightly ahead of the 23.5% boost in net profits which went to $30.2 million from $24.5 million.

Chain executives have targeted a 10% annual growth rate in units so that Rite Aid should break the 1,000-store mark by 1983, the second specialty drug discounter to do so.

A key support for this growth was Rite Aid's opening of a 210,000-sq.-ft. distribution center in Charlestown, W.Va., to service its Southern States thrust.

Rite Aid has also speeded up its remodeling program, with the 80 stores due to be updated this year being a 33% jump from the 60 modernized last year.

Rite Aid spots its stores in shopping centers to draw customers from the high traffic; its inclusion of pharmacies is geared to offering these customers the full range of products and services of a drug store, rather than just a discounted H&BA mix.

Longs to Step Up Expansion; Plans 15-18 Per Year

WALNUT CREEK, Calif.—Longs, a pioneer West Coast discount drug chain, plans to step up its expansion from 15 to 18 stores a year from the nine- or 10-unit pace maintained for the past half decade.

The 130-store chain set the stage for this move by building 13 new units last year to end up with a net gain of 10 stores as two smaller Longs were replaced and one closed.

The chain's more aggressive growth included jumping into a new market—Nevada—last year to expand its coverage to six states; the others are California, Oregon, Arizona, Hawaii and Alaska.

Longs is a highly decentralized chain and this merchandising and operational approach has enabled the company to generate about $5.9 million in sales per store.

In the fiscal year ended Jan. 31, Longs' sales amounted to $773 million, a 16.4% jump from the $664 million produced in the previous fiscal year.

Net earnings showed a slightly smaller percentage increase, going up 13.1% to $26.7 million from $23.6 million.

The decentralized merchandising and operational program focuses on the store manager and the district manager making the day-to-day business decisions, including buying merchandise, setting prices and taking markdowns.

All stores except the dozen units in Hawaii buy goods direct, thereby avoiding the need for central warehousing.

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Editorial

Let's Make the NMRI Convention a Time For Action

1980: THE YEAR OF THE DISCOUNTER

Discount Store News

Welcome to the NMRI convention!

We've probably never needed it more than we do today. The horizon is ominous, especially when the most recent past (April sales, for instance) is analyzed.

This is, indeed, a "Time of Change."

But there's no reason that a group of this nation's most dynamic retailing executives, putting their heads together for a week in New Orleans, can't figure out some surefire ways to lick this economic monster.

Today, discounting is an industry of retailing professionals. This group in New Orleans represents the best mass merchandising brains in the world.

And, happily, these brains are here to be picked.

Also available for the asking are the knowledge and experience of plenty of smart suppliers. In most cases, these manufacturers have lived with discounting, enjoying the industry's good times and weathering its storms.

We call 1980 the Year of the Discounter. We consider the 80's to be the Decade of the Discounter. This will be true, regardless of how bleak the economy turns. It will be tougher, for sure. But consumers, nevertheless, will continue to recognize that value and price are synonymous with discount store.

The job will be to convert sales to dollars. That's why the 80's also will be a decade of control. Existing stores will become more productive through better assortment editing. Discounters—and their sources—will know the best-selling items and planogram their floor space with that in mind.

Computers will more and more play a part in manpower deployment and energy usage, as well as measure sales at store level.

Replenishment techniques that enhance turnover will need to be developed jointly by discounters and their suppliers. Personnel and manpower

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Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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40 Top Discounters See Gain of 526 Stores in '80

Nationwide DSN Report

Forty of the top discounters are squaring off against the new decade and an uncertain economy with aggressive expansion plans that will produce a net gain of 526 stores in 1980—an 8.4% increase over the 6,259 stores they operated at the end of 1979.

In addition, 1980 will mark the year top discounters K mart and Wal-Mart started testing upgraded units with racetrack configurations and more fashionable apparel presentations.

Of the 534 new stores slated to open by year's end, 60% represent commitments to new-store construction by four chains: K mart (210 stores), Wal-Mart (45), Woolco (39) and Target (20).

New growth at T.G. & Y., which plans to add 51 discount stores this year, includes the conversion of some of its smaller variety stores to the discount format of its Family Centers and super stores.

Expansion plans for the rest of the top eight discounters—Zayre, Gemco/Memco, and Gibson's—are more conservative, or in the case of Gibson's, which shuttered seven company-owned stores last month, nonexistent.

Zayre, currently with 254 outlets, is concentrating on store renovations and remerchandising this year, focusing particularly on those of its Florida stores that it hasn't yet remodeled. Last year, the Massachusetts-based giant opened 11 new stores, closed eight and remodeled 65.

Gemco/Memco, which ranked seventh in the industry last year with $1.1 billion in sales, plans to grow by seven

(Continued on page 157)

Pooh-pooh Combo, Supermarket, Drug Store Impact

Discounters Call Catalogers Competitive, But Not Very

Nationwide DSN Survey

Discounters rank catalog showrooms as the most competitive of four specialty retailing segments that sell general merchandise, because of the sharp pricing policies followed by most catalogers.

Less than a third of discount department store executives responding to a recent survey, however, ranked catalog showrooms as "competitive" or "extremely" competitive overall. And that percentage dropped to 19% for supermarkets, 17.4% for food/drug combination stores and 15.5% for drug stores.

These figures are taken from a recent *Discount Store News* survey of executives at the top 100 discount department store chains. Participants were asked to rank, on a scale of one (not competitive) to five (extremely competitive), each of four other retail segments, on such aspects of competition as price, breadth of assortment, continuity of goods, space allocation and apparel mix. A final measurement of the degree of

(Continued on page 24)

Specialty retail segments considered to have the least commonality of business practices with discount department stores, ranked by the percentage of respondents considering each segment to be "not similar at all" or "only slightly similar" in operations:

Catalog Showrooms	Drug Stores	Supermarkets	Food/Drug Combinations
92.9%	90.0%	86.7%	85.7%

Overall rankings of other retail segments, by percentage of respondents who consider each segment to be not competitive or only slightly competitive with discount department stores:

Drug Stores	Food/Drug Combinations	Supermarkets	Catalog Showrooms
84.5%	82.6%	81.0%	67.2%

Discount executives polled by DSN on the quality of competition from various specialty retailers ranked catalog showrooms least similar in operations, most competitive. (DSN research)

Eight K marts to Test Upscale Presentation

TROY, Mich.—K mart, the industry's volume and store-count leader and archetypically traditional discounter, is getting on the trade-up bandwagon.

Discount Store News confirmed that an April decision was made to test an upscale version of K mart in eight stores in a Michigan market before the end of the year.

Sources close to the chain report that K mart's approach would be similar to the plan adopted by Wal-Mart recently, in which a racetrack configuration and upgraded presentations make the trade-up statement, while much of the merchandise will remain the same.

Full implementation of the changes, chainwide, could cost K mart more than $300 million.

Some trading up in merchandise will be included in K mart's plan, with blends replacing some synthetics in apparel, and better quality cosmetics and fragrances also planogrammed into the test stores.

"This is the most positive thing I've heard about K mart in a long time," said a retail analyst who recently met with K mart's top management.

He reported that K mart's new chief executive officer, Bernard Fauber, is "clearly in charge, and clearly recognizes the need for K mart to revital-

(Continued on page 36)

Discounting Week

READY FOR '81. Plans are already in motion for the next NMRI convention, to be held in Florida at the Americana Hotel in Bal Harbour, May 9-13, 1981.

RAPID GROWTH. J. Brannam, Woolco's off-price name-brand apparel outlet, opened two units in Tulsa, Okla., and two more in Des Moines, adding 88,000 sq. ft. to the existing operation. Houston will get 10 J. Brannams, and Kansas City, Mo., five more in late summer. A typical J. Brannam mix is 50% women's and girls' apparel, 30% men's and boys', and 20% footwear and domestics.

SHUT DOWN. Two Guys has closed its unprofitable Leeds-Fox wholesale division. The discounter will liquidate the merchandise through its stores. Leeds-Fox stopped being profitable for Two Guys about seven years ago when the distributor lost Panasonic and General Electric lines.

DSN to Run Depth Study Of T.G. & Y.

NEW YORK—*Discount Store News* will devote the entire Dec. 8, 1980, issue to an in-depth examination of T.G. & Y.—one of the fastest-growing discount chains in the country.

As it converts existing variety stores to discount department stores, adds space to existing discount stores and builds new units, T.G. & Y. is moving rapidly into the top ranks of the multibillion dollar companies. Its comprehensive five-year plan, which is constantly updated, is a model of long-range planning.

DSN's coverage will include interviews with most of T.G. & Y.'s key executives, who will explain how the company's plan will bring its total volume to the $3 billion mark by 1983.

Our Biggest NMRI Convention Issue Ever!

Discounters to Mix Savvy, Census Results For Use in Merchandising, Site Picking

Nationwide DSN Report

Officials of discount store chains throughout the nation say they expect the 1980 census results to be of great value in long-range planning, but are cautioning their staffs not to abandon traditional methods of determining market composition.

If the breakdowns on population age, size and income are as complete as in previous years, they say, the information will be an important tool in site-selection decisions and determination of merchandise mixes.

But the results will be as much as two years old by the time they are released by the U.S. Bureau of Census in late 1981 or early 1982—a better base than the figures provided in the 1970 census, but still inadequate and in need of updating by the traditional methods.

Most major chains surveyed at presstime said they have been using the results of the 1970 census updated by a wide variety of techniques, as a means of making store location and marketing decisions.

Officials of K mart said that they use the *Editor and Publisher* Market Guide, in addition to checking with local chambers of commerce in order to update the population figures of the areas in which their stores are located.

Other chains, such as Pay Less Drug Northwest, headquartered in Beaverton, Ore., said they use techniques such as aerial photography to update the 1970 census results.

Still other chains routinely check with local utilities for the number of new hookups in a given area, and ask municipal building permit issuers for totals on the number of new permits.

"We're all waiting for the results with bated breath," explained John Thompson, whose

(Continued on page 24)

If a National Advertising Bureau poll proves correct, more discounters may be aping FedMart and adding grocery sections to better serve patrons' one-stop shopping needs. (DSN photo)

28% of 200 Women Polled

Gals See Discounters Taking Food Plunge

PHOENIX—Twenty-eight per cent of 200 women polled by the National Advertising Bureau anticipate that discount stores will add complete food markets to their mix in the coming decade, thereby increasing their one-stop shopping capabilities and becoming attractive competitors for food dollars.

The research, part of a study undertaken by the NAB to anticipate consumer attitudes toward food buying in the 1980's, found that the food shopper "has become extremely price conscious—more so than at any time since the 1930's—and perhaps more willing to change her food store than ever."

Interview results were compared with comments by top executives of six major western food chains.

In general, food shoppers expect to see higher prices in the coming years, but they also expect greater preparation convenience and more help from retail advertising. At the same time, many anticipate that a series of competitive developments will take place in food retailing—among them, a stronger bid for food dollars by discounters—to persuade them to shift store allegiances.

For example, 43% of those polled expected to be swayed by a "second" retailer's efforts to better advertise prices and savings, and 40% thought they could be converted to shopping nearby stores with limited stocks (no meat or produce) but with lower prices.

Forty per cent of the respondents also indicated that they could be persuaded to change stores by the appearance of giant warehouse stores which would sell foodstuffs from

(Continued on page 158)

R. Gibson Fights FTC Subpoena Requiring Firm's Quarterly Report

WASHINGTON—Richard Gibson has filed a motion with the Federal Trade Commission to quash a subpoena requiring his company, Gibson Products, Longview, Tex., operator of 14 franchised discount stores, to send the agency its quarterly report.

Gibson is a son of H. R. Gibson, founder of Gibson's, Seagoville, Tex., which both franchises and operates discount stores.

Richard Gibson's motion follows on the heels of an FTC order against H. R. Gibson's firm to restrict its trade show operation which the FTC claimed violated provisions of the Robinson-Patman Act. The case is being appealed by Gibson's.

The motion to quash involved only the independent firm owned by Richard Gibson, who was not involved in the earlier FTC investigation. Apparently there is no connection between the two FTC actions.

According to FTC officials, its request was part of the agency's program to obtain quarterly reports from all companies in retailing and other selected categories that have assets of more than $25 million.

Gibson opposed the request, in part because his firm "does not maintain any records on a quarterly basis," according to the motion filed with the FTC. Therefore, he would have to estimate much of the information.

The motion also declared that the FTC does not have the authority to issue such a request "since the report sought is a quarterly report and is neither an *annual* or a *special* report under the limited authority given to the Federal Trade Commission."

Gibson's attorney, Bardwell D. Odum, told *Discount Store News* that the FTC's order is an example of the Federal Government's interference in private business and unnecessary demands on businessmen.

In This Issue . . .

CHANGING TIMES. DSN previews the 15th annual NMRI convention and tells how and why the 80's will be a "Time of Change." The trade-up trend of recent years calls for planning in the 80's; mass retailers will streamline operations and merchandise more scientifically as they strive to keep their upscale image **and** economy-minded consumers. (P. 49)

Industry executives and observers will put their heads together in 17 sessions during the five-day meeting to discuss how to sustain their bottom line. After a strong year in sales and earnings for most chains, discounters tell how they will cope with challenges from outside the retailing world—the credit squeeze, the energy crisis, taxes—and with internal challenges—personnel training, warehousing and store security. (Pp. 50-112)

Stories on the top chains analyze 1979's success formulas with an eye on what will determine who's who in the 80's. (Pp. 113-151)

On the lighter side, leisure and sports activities offer discounters a different kind of challenge and some valuable prizes. (P. 100)

The whole line-up is summarized in the convention schedule. (P. 99)

And for a perspective on the NMRI's history, or just for nostalgia lovers, this issue's DiscounTalk highlights conventions and conventioneers past. (P. 107)

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Spotlight on: Upscale Presentation

Jefferson Gives Jewelry 'Corner Window' Setting

Jefferson, as in its Lauderdale Lakes, Fla., store, has developed an upscale presentation for jewelry that uses glass and chrome showcases to display diamonds, other jewelry and watches. Corner "window" displays (inset, left), are used to play up new items, current fashions and advertised goods.

These "windows" are changed every four to six weeks to give the displays a new look and to tie in with holidays and seasonal changes. The "windows" don't play up prices of the goods on display except for items that are being promoted. The jewelry area, which is carpeted, is on a main aisle and provides a counter where customers can sit and examine big-ticket items such as diamonds.

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